

Union City Community Schools

**Financial Statements
Year Ended June 30, 2007**

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Union City Community Schools

Union City, Michigan

**Financial Statements
Year Ended June 30, 2007**

Union City Community Schools

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FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Report of Independent Accountants

Board of Education
Union City Community Schools

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Union City Community Schools, Union City, Michigan as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union City Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and standards applicable to financial audits contained in, Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union City Community Schools, Union City, Michigan as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 15, 2007, on our consideration of Union City Community Schools, Union City, Michigan, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union City Community Schools, Union City, Michigan, basic financial statements. The required supplemental information and other supplemental information, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan
October 15, 2007

UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

This Section of Union City Community Schools district's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2007.

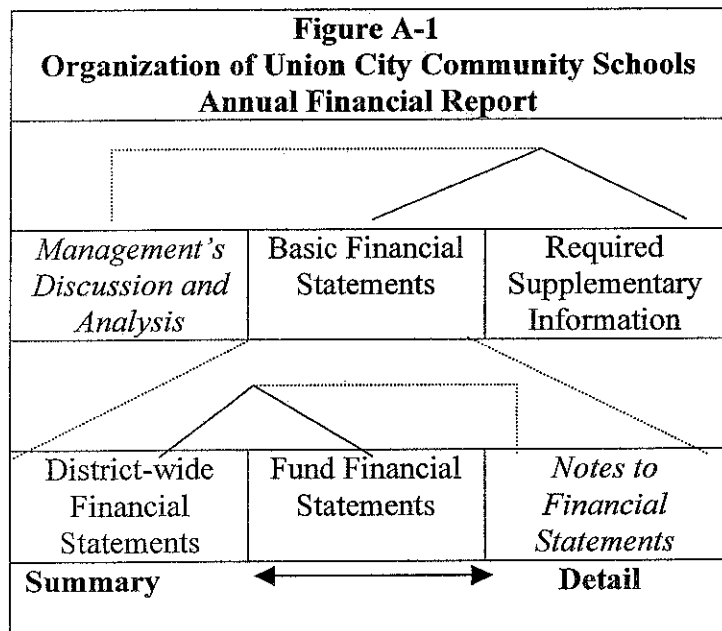
FINANCIAL HIGHLIGHTS

- The District's financial status remained stable, total net assets increased nearly 40 percent over the course of the year. The overall net assets increase by \$2,685,443.
- District wide Revenues were \$13,076,582 which is an increase of \$1,326,880 (or 11 percent) over last year's revenues. Expenses were \$10,391,139 which is a decrease of \$59,084 (or less than -1 percent over last year's expenses.)
- Enrollment decreased from 1,171.25 (or .45 percent) to 1,166.03 blended count.
- The District increased its outstanding long-term debt by \$2,096,470, or 639.3 percent.
- The total cost of basic programs was \$5,712,792.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular education and special education were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others (student groups).



UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-2
Major Features of District-Wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district which are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial Statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of fiduciary net assets *Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Union City Community Schools funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid (foundation allowance) finance the greater share of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its more significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statement, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets – The District's *combined* net assets were increased in fiscal year 2007 by \$2,685,443 or 40 percent to \$9,413,712. (See Tables A-3 and A-4)

The overall District financial position improved significantly due in part to utilization of the Max Larsen Foundation gift for the field house (\$1,858,094).

Table A-3 Statement of Net Assets	
	2007 Governmental Activities
Current and other assets	\$4,273,443
Capital assets net of depreciation	8,885,771
Total Assets	\$13,159,214
Current liabilities	\$2,047,968
Long term liabilities	1,697,534
Total Liabilities	\$3,745,502
Net assets	
Invested in capital assets, net of related debt	\$8,885,771
Restricted for debt service	1,185
Unrestricted	526,756
Total Net Assets	\$9,413,712
Total Liabilities and Net Assets	\$13,159,214

UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Table A-4 Statement of Activities – Changes in Net Assets	
Revenues	
Program revenues	
Charges for services	\$ 797,530
Federal and state categorical grants	1,686,209
General revenues	
Property taxes	999,206
State aid – unrestricted	7,541,313
Other	2,052,324
Total Revenues	\$ 13,076,582
Expenses	
Instruction	\$ 5,712,792
Support services	3,641,649
Community services	29,921
Food services	347,632
Athletics	282,382
Interest on long-term debt	140,253
Other	19,142
Unallocated depreciation	217,368
Total expenses	\$10,391,139
Increase in net assets	\$ 2,685,443

District Governmental Activities

The continued good health of the District's finances can be credited to conscientious administrative team management.

The District:

- continued to experience savings from the switch to Blue Cross Blue Shield Community Blue PPO and self-funded prescription, dental and vision benefits,
- predicted realistic student counts,
- aligned staffing more closely with student counts,
- elected to borrow for buses and facilities projects early in the year to ensure stability until the State decided upon school funding.

These actions resulted in an increase to fund balance. The District will use the additional funds for future shortfalls if need be and projects as designated by the Board.



MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported *combined* fund balances of \$3,056,793 which is \$689,589 less than last year's ending *combined* fund balance of \$3,746,382.

The breakdown of the District's governmental funds change in fund balances are as follows: General Fund \$268,451, Field House Capital Projects (\$1,827,330), 2006 Capital Projects \$959,289, Building and Site Sinking Fund (\$123,959), Food Service \$19,519, Athletic Fund \$13,716, 2006 Bond Debt \$1,185, 1972 Debt (\$460). The District had a total decrease of \$689,589 to the governmental funds *combined* fund balance.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before fiscal year-end. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.)

- Changes were made to account for final enrollment counts and changes in assumptions since the original budget was adopted.
- Revisions were also necessary to continue to comply with the State Accounting Manual.

While the District's final budget for the general fund anticipated that expenditures would be \$26,749 greater than revenues, the actual results for the year show a \$268,451 addition to the General Fund fund balance.

- Actual revenues were \$ 60,857 less than the budgeted amount
- Actual expenditures were \$356,063 below budget, due primarily to:
 - Actual expenditures for Basic Instruction were \$104,683 lower than the budgeted amount
 - Actual expenditures for Support Services were \$206,915 lower than the budgeted amount

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2007, the District had invested \$12.7 million as shown in Table A-5 primarily in the following capital projects: completion of field house construction and locker rooms, new roof on the middle school, reconstructed track at the high school, new steps and

UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

handrails at the athletic complex, four new buses, and the inception of a multi purpose room at the elementary. Net capital assets reflect a net increase of \$ 3,662,782, or 70.1 percent over last year.

Table A-5		
Capital Assets		
	June 30	
	2006	2007
Land	\$ 41,355	\$ 41,355
Construction in Progress – field house	563,171	-0-
Construction in Progress – elementary school multi-purpose room	-0-	294,506
Buildings and improvements	6,995,919	10,853,674
Busses and or other vehicles	912,879	1,074,576
Furniture and equipment	<u>399,936</u>	<u>427,736</u>
Total capital assets	8,913,260	12,691,847
Less accumulated depreciation	(3,690,271)	(3,806,076)
Net Capital Assets	\$5,222,989	\$8,885,771

The District's fiscal year 2008 looks to be one of continued cautious spending in the General Fund. The major capital projects will end with the elementary multi purpose room in November 2007. The District is again making a forward move with the health coverage as it will be moving to high-deductible premium health coverage with a Health Savings Account. The District is examining an Early Retirement Incentive Plan. Both of these moves will mean a savings to the district. The administrative team is in the early planning stage of transforming learning through technology.

Long-term Debt

At the end of the year, the District had \$2,424,392 in long-term obligations and bonds outstanding as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in the Notes to the financial statements.)

- The District added to its debt, which consists of the 2006 Capital Project Bonds and borrowing for two school buses.
- The district debt payments totaled \$446,524 for the year.

UNION CITY COMMUNITY SCHOOLS – UNION CITY, MICHIGAN



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Table A-6		
Outstanding Long-Term Debt		June 30
	2006	2007
Bonds payable	\$ 53,534	\$2,073,534
Loans payable	-0-	112,994
Other long-term liabilities	<u>274,388</u>	<u>237,864</u>
Total	327,922	2,424,392
Less current portion	(41,622)	(523,994)
Total long-term debt payable	\$ 286,300	\$1,900,398

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The 2007-2008 foundation allowance has not been finalized by the State of Michigan. The state is experiencing a shortfall in its budget. The foundation allowance represents 60 to 70 percent of total district revenue.
- The District has experienced declining student population over the last five years and expects the trend to continue. This directly impacts the formula for state aid revenue which represents 75 to 80 percent of total General Fund revenue.
- The cost of health insurance is increasing by double digits.
- Actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The economy in the State of Michigan has been declining over the last four years. School districts are anticipating a small increase in State Aid revenue, but not enough to cover the added costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Union City Community Schools, 430 St. Joseph Street, Union City, Michigan 49094.

Union City Community Schools

Statement of Net Assets June 30, 2007

	Governmental Activities
ASSETS	
Current Assets	
Cash (Note 2)	\$1,243,960
Investments (Note 2)	1,156,032
Accounts receivable (Note 3)	1,799,449
Inventory	10,977
Other	63,025
Total current assets	4,273,443
Noncurrent Assets	
Capital assets (Note 4)	12,681,847
Less: accumulated depreciation (Note 4)	(3,806,076)
Total noncurrent assets	8,885,771
Total assets	\$13,159,214
LIABILITIES	
Current Liabilities	
Accounts payable	\$213,827
Salaries payable	501,791
Accrued payroll withholdings and fringe benefits payable	304,694
Accrued vacation	21,556
Accrued interest	20,277
Deferred revenue (Note 3)	-0-
Bonds payable, due within one year (Note 7)	460,000
Notes payable - buses, due within one year (Note 7)	28,994
Compensated absences (Note 7)	202,864
Deferred compensation, due within one year (Note 12)	35,000
Notes payable - state aid (Note 7)	196,338
Deferred revenue for field house construction (Note 13)	62,627
Total current liabilities	2,047,968
Noncurrent Liabilities	
Bonds payable (Note 7)	1,613,534
Notes payable - buses (Note 7)	84,000
Total noncurrent liabilities	1,697,534
Total liabilities	3,745,502
Net Assets	
Invested in capital assets, net of related debt	8,885,771
Restricted for debt service	1,185
Unrestricted	526,756
Total net assets	9,413,712
Total liabilities and net assets	\$13,159,214

Union City Community Schools

Statement of Activities Year Ended June 30, 2007

		Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	
Functions/Programs				
Governmental Activities:				
Instruction and instructional support	\$5,712,792	\$579,600	\$1,464,427	\$(3,668,765)
Support services	3,641,649	-0-	-0-	(3,641,649)
Food services	347,632	143,012	221,782	17,162
Athletics	282,382	74,918	-0-	(207,464)
Community services	29,921	-0-	-0-	(29,921)
Interest on long-term debt	140,253	-0-	-0-	(140,253)
Other	19,142	-0-	-0-	(19,142)
Depreciation (unallocated)	217,368	-0-	-0-	(217,368)
Total Governmental Activities	\$10,391,139	\$797,530	\$1,686,209	\$(7,907,400)
General Revenues:				
Taxes				
Property taxes, levied for general operations				\$454,100
Property taxes, levied for capital projects				545,106
State of Michigan aid, unrestricted				7,541,313
Write-off on disposal of fixed assets				(3,162)
Restricted contribution used for field house construction costs				1,858,094
Interest and investment earnings				157,352
Other				40,040
Total General Revenues				10,592,843
Change in Net Assets				2,685,443
Net assets - Beginning of year				6,728,269
Net assets - End of year				\$9,413,712

Union City Community Schools

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Field House Capital Projects	2006 Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash	\$526,248	\$63,686	\$624,124	\$29,902	\$1,243,960
Investments	621,235	-0-	465,009	69,788	1,156,032
Accounts receivable	1,798,262	-0-	-0-	1,187	1,799,449
Inventory	10,410	-0-	-0-	567	10,977
Due from other funds (Note 6)	21,861	-0-	-0-	151,754	173,615
Other current assets	63,025	-0-	-0-	-0-	63,025
Total assets	\$3,041,041	\$63,686	\$1,089,133	\$253,198	\$4,447,058
Liabilities and Fund Balance					
Accounts payable	\$77,228	\$1,059	\$129,844	\$5,696	\$213,827
Salaries payable	500,820	-0-	-0-	971	501,791
Accrued payroll withholdings and fringe benefits payable	304,426	-0-	-0-	268	304,694
Due to other funds (Note 6)	151,754	-0-	-0-	21,861	173,615
Notes payable - state aid	196,338	-0-	-0-	-0-	196,338
Total liabilities	1,230,566	1,059	129,844	28,796	1,390,265
Fund Balance					
Reserved for inventory	10,410	-0-	-0-	-0-	10,410
Designated for track	166	-0-	-0-	-0-	166
Designated/restricted for capital expenditure	75,000	62,627	959,289	-0-	1,096,916
Unreserved and undesignated	1,724,899	-0-	-0-	223,217	1,948,116
Restricted for debt service	-0-	-0-	-0-	1,185	1,185
Total fund balance	1,810,475	62,627	959,289	224,402	3,056,793
Total liabilities and fund balance	\$3,041,041	\$63,686	\$1,089,133	\$253,198	\$4,447,058

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Total Governmental Fund Balances \$3,056,793

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

The cost of the capital assets is	12,691,847
Accumulated depreciation is	(3,806,076)

8,885,771

Liabilities that are not due and payable in the current period and are not reported in the fund:

Bonds and notes payable	\$(2,186,528)
Compensated absences	(202,864)
Accrued interest	(20,277)
Accrued vacation	(21,556)
Deferred compensation	(35,000)
Deferred revenue for field house construction	(62,627)

Net assets of governmental activities \$9,413,712

The accompanying notes are an integral part of these financial statements.

Union City Community Schools

Statement of Revenue, Expenditures and Changes in Fund Balances Governmental Funds Year Ended June 30, 2007

	General	Field House Capital Projects	2006 Capital Projects	Other Nonmajor Governmental Funds	Totals
REVENUES					
Local sources	\$589,022	\$30,764	\$61,243	\$766,641	\$1,447,670
State sources	8,242,185	-0-	-0-	12,722	8,254,907
Federal sources	763,556	-0-	-0-	209,060	972,616
Incoming transfers and other transfers	577,220	-0-	-0-	-0-	577,220
Total revenues	10,171,983	30,764	61,243	988,423	11,252,413
EXPENDITURES					
Current:					
Instruction	5,728,747	-0-	-0-	-0-	5,728,747
Support services	3,665,024	-0-	-0-	632,526	4,297,550
Community services	29,921	-0-	-0-	-0-	29,921
Debt service	-0-	-0-	-0-	474,790	474,790
Capital outlay	372,108	1,858,094	1,531,954	190,930	3,953,086
Intergovernmental payments/other	726	-0-	-0-	176	902
Total expenditures	9,796,526	1,858,094	1,531,954	1,298,422	14,484,996
Excess (deficiency) of revenue over expenditures	375,457	(1,827,330)	(1,470,711)	(309,999)	(3,232,583)
OTHER FINANCING SOURCES (USES)					
Bus note payable proceeds	112,994	-0-	-0-	-0-	112,994
Bonds payable proceeds	-0-	-0-	2,430,000	-0-	2,430,000
Operating transfers in	-0-	-0-	-0-	695,960	668,650
Operating transfers out	(220,000)	-0-	-0-	(475,960)	(668,650)
Total other sources of funds	(107,006)	-0-	2,430,000	220,000	2,542,994
Excess (deficiency) of revenues and other sources over expenditures and other uses	268,451	(1,827,330)	959,289	(89,999)	(689,589)
Fund balances, beginning of year	1,542,024	1,889,957	-0-	314,401	3,746,382
Fund balances, end of year	\$1,810,475	\$62,627	\$959,289	\$224,402	\$3,056,793

The accompanying notes are an integral part of these financial statements.

Union City Community Schools

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds		\$(689,589)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		
Depreciation expense	217,368	
Capital outlay and facility acquisition	<u>3,883,312</u>	3,665,944
Change in accrued interest is recorded in the statement of activities when incurred; and reported in governmental funds when paid		(19,958)
Payments on deferred compensation as an expenditure in governmental funds, but not in statement of activities as it reduces long-term debt		35,000
Change in accrued vacation is recorded in the statement of activities when earned; and reported in governmental funds when paid.		1,348
Repayments of notes and bond principal is an expenditure in the governmental funds, but not in the statement of activities as it reduces long-term debt		410,000
Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds		1,524
Net book value of fixed assets disposed of are not recorded on governmental funds, but are recorded as part of a gain (loss) on sale of fixed assets for statement of activities.		(3,162)
Restricted contribution for field house construction, recorded in statement of activities when spent; reported in governmental fund when received.		1,827,330
Proceeds from bond and note payable recorded as revenue in governmental funds, but not in the statement of activities as it increases long-term debt.		(2,542,994)
Change in Net Assets of Governmental Activities		\$2,685,443

Union City Community Schools

Statement of Fiduciary Net Assets June 30, 2007

	Agency Fund - Student Activities
Assets	
Cash	\$22,993
Investments	45,396
	<hr/>
	\$68,389
Liabilities	
Due to student groups	\$68,389
	<hr/>
Total liabilities	\$68,389

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies

The accounting policies of Union City Community Schools ("the School District") conform to U.S. generally accepted accounting principles as applicable to local school districts. The following is a summary of the significant accounting policies:

Reporting Entity - The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements - The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay and deferred compensation are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Service Fund.

Building and Site Sinking and Capital Projects Funds are used to record tax, interest and other revenue for capital projects of the School District. For these funds, the School District has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Debt Funds are used to record tax, interest and other revenue for payment of principal and other expenditures on bond issues.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

Assets, Liabilities, and Net Assets or Equity

Investments - In accordance with GASB Statement No. 31, the School District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories - Materials, supplies and food commodities are carried at cost utilizing the first-in, first-out method and are charged to expenditures when consumed.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

materially extended asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	25-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Compensated Absences - The School District has a policy which allows employees to accrue sick days. Personnel are allowed to accumulate sick days up to maximum limit and will be paid at a standard rate should they terminate their employment. The contingent liability for sick pay is recorded in the government-wide statements.

The District also has a policy which allows all employees with year-round contracts to carry over a maximum of ten un-used vacation days for use in the next fiscal year. The liability for vacation carry over is recorded in the government wide financial statements.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent Board plans that are subject to change.

Budgets - The School District is required by state law to adopt annual budgets for the General Fund and Special Revenue Funds. Each budget is presented on the modified accrual basis of accounting which is consistent with U.S. generally accepted accounting principles ("GAAP").

Union City Community Schools

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The School District prepares a budget prior to the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing and a meeting of the Board of Education is then called for the purpose of adopting the proposed budget.
3. The budget is legally enacted through passage of a resolution by the Board of Education typically in June prior to the beginning of the new fiscal year.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Education. Amendments are presented to the Board at its regular meetings. Each amendment must have Board Approval. Such amendments are made before the fact and are reflected in the official minutes of the Board.

Each budget is controlled by the revenue and function/object level. Expenditures in excess of amounts budgeted is a violation of Michigan law. Budgeted amounts are as amended by the Board of Education. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Economic Dependency - The School District received approximately 81% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations - Approximately 51% of the School District's employees work under collective bargaining agreements. Both existing union agreements will expire on June 30, 2009.

Union City Community Schools

Notes to Financial Statements

2. Cash and Investments

The School District is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are comprised of authorized investment vehicles.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At June 30, 2007, the carrying cash balance of \$1,243,960 which had a bank balance of \$1,334,844 of which \$100,000 was covered by federal depository insurance and \$1,234,844 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

The School District's investments at year-end were invested in a mutual fund for Michigan school districts in which each school district owns a prorata share of each investment held in the name of the mutual fund. The investment pools have not been assigned a risk category as the School District has not issued securities, but rather owns an undivided beneficial interest in the assets of these pools. The investments have a carrying amount of \$691,023 which approximates cost.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash	\$1,243,960	\$22,993	\$1,266,953
Investments	1,156,032	45,396	1,201,428
Total	\$2,399,992	\$68,389	\$2,468,381

The School District has not adopted an investment policy that addresses the specific type of risk to which the School District is exposed.

Union City Community Schools

Notes to Financial Statements

3. Accounts Receivable

Receivables as of year-end for the School District's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects	Nonmajor and Other Funds	Total
Receivables:				
Intergovernmental	\$1,761,542	\$-0-	\$-0-	\$1,761,542
Other	36,720	-0-	1,187	37,907
Net receivables	\$1,798,262	\$-0-	\$1,187	\$1,799,449

4. Capital Assets

Capital asset activity of the School District's Governmental activities was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Assets not being depreciated:				
Land	\$41,355	\$-0-	\$-0-	\$41,355
Construction-in-progress field house	563,171	-0-	(563,171)	-0-
Construction-in-progress elementary school multi purpose room	-0-	294,506	-0-	294,506
Capital assets being depreciated:				
Building and building improvements	6,995,919	3,878,835	(21,080)	10,853,674
Buses and other vehicles	912,879	245,342	(83,645)	1,074,576
Furniture and equipment	399,936	27,800	-0-	427,736
Subtotal	8,913,260	4,446,483	(667,896)	12,691,847
Accumulated depreciation:				
Building and building improvements	2,770,401	123,280	(17,918)	2,875,763
Buses and other vehicles	645,351	69,992	(83,645)	631,698
Furniture and equipment	274,519	24,096	-0-	298,615
Subtotal	3,690,271	217,368	(101,563)	3,806,076
Net capital assets	\$5,222,989			\$8,885,771

Depreciation expense was not charged to activities as the district considers its assets to impact multiple activities and allocation is not practical.

Union City Community Schools

Notes to Financial Statements

5. Property Taxes

The School District's property tax is levied each October 1 on the assessed value listed as of the prior December 31 for all real and business personal property located in the School District. The taxable value of the roll on May 22, 2006, upon which the levy for the 2007 fiscal year was based, was \$121,166,804. Taxes are due on October 1 and become delinquent by March 1 following the October 1 levy date.

The tax rates assessed for the year ended June 30, 2007 to finance the following (based on \$1,000 of taxable valuation):

	Homestead	Nonhomestead
Operating	-0-	17.1967
Building & Site Sinking Fund	4.4747	4.4747
	4.4747	21.6714

6. Interfund Receivables and Payables

Interfund balances at June 30, 2007 consisted of the following individual payables:

	Receivables	Payables
General Fund:		
Special Revenue Funds:		
Food Service	\$ -0-	\$84,755
Athletic	21,861	-0-
Building & Site Sinking Fund	-0-	66,999
Special Revenue Funds:		
Food Service Fund:		
General Fund	84,755	-0-
Athletic Fund:		
General Fund	-0-	21,861
Building & Site Sinking Funds	66,999	-0-
	\$173,615	\$173,615

Union City Community Schools

Notes to Financial Statements

6. Interfund Receivables and Payables - Continued

The interfund balances between the general fund and special revenue funds represent payments made by the general fund on behalf of the special revenue fund. The balances between the general fund and building and site sinking fund represent receipts or expenditures made on behalf of the fund. All balances are expected to be repaid within one year.

Interfund transfers for the year ended June 30, 2007 consisted of a transfer out of the general fund to the special revenue fund - athletic fund of \$220,000 due to anticipated deficiency, a transfer out of the building and site sinking fund to the 2006 bond debt service fund of \$475,500 to fund debt service and a transfer out of 72 debt service fund to 2006 bond debt service fund of \$460 to close the 72 debt service fund.

7. Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and severance pay.

	Durant Bond	Capital Projects Bond	Bus Note	Accrued Sick and Vacation Liability	Deferred Compensation
Governmental Activities					
Balance at June 30, 2006	\$53,534	\$-0-	\$-0-	\$204,388	\$70,000
Additions	-0-	2,430,000	112,994	-0-	-0-
Retirements and payments	-0-	410,000	-0-	1,524	35,000
Balance at June 30, 2007	\$53,534	\$2,020,000	\$112,994	\$202,864	\$35,000
Due within one year	\$-0-	\$460,000	\$28,994	\$-0-	\$35,000

Union City Community Schools

Notes to Financial Statements

7. Long-term Debt - Continued

Bonds payable at June 30, 2007, are comprised of the following individual issues:

	Governmental Activities		
	Principal	Interest	Total
\$130,616 Durant bond due in annual installments ranging from \$9,172 to \$27,515 through May 15, 2013.	53,534	10,351	63,885
\$2,430,000 capital projects bond due in installments ranging from \$490,000 to \$550,000 through May 1, 2011.	2,020,000	192,102	2,212,102
	2,073,534	202,453	2,275,987

The notes payable - bus at June 30, 2007 is comprised of the following:

Date	Original Amount	Annual Principal Payment	Maturity Date	Interest Rate	Remaining Interest	To Maturity Principal	Total
8/1/06	112,994	Approx. \$28,000	8/1/2010	4.425%	12,309	112,994	125,303

The fair value of long-term debt obligations approximate their carrying value.

The principal requirements to amortize the bonds to maturity are as follows:

Years Ending June 30,	Governmental Activities		
	Bonds Payable		Total Interest and Principal Payment
	Principal	Interest	
2008	\$460,000	\$76,762	\$536,762
2009	497,269	60,254	557,523
2010	541,176	45,056	586,232
2011	557,978	19,251	577,229
2012	8,357	765	9,122
2013	8,755	365	9,120
	\$2,073,535	\$202,453	\$2,275,988

The other long-term obligation consists of vested sick and accrued vacation pay to be paid in future years. Upon termination or retirement, an employee can only be paid for sick pay accumulated up to 90 sick days at primarily \$35 per day.

Union City Community Schools

Notes to Financial Statements

**7. Long-term Debt -
Continued**

Interest expense for the year ended June 30, 2007, was \$80,279 in the Debt Retirement Funds and \$59,974 in the General Fund.

The note payable under the general fund was borrowing against the state aid receipts and was repaid in July, 2007 upon the receipt of the state aid receivable.

The School District elected to receive a lump sum amount (bond proceeds) from the State of Michigan as a result of the Durant vs. State of Michigan settlement. The Durant bonds will be reduced each year by the annual State of Michigan appropriation for making the annual debt service payment on the bonds. If the State of Michigan legislature fails to appropriate the funds, the School District is under no obligation for payment.

**8. Defined Benefit Pension
Plan**

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103. The School District's payroll for employees covered by the MPERS for the year ended June 30, 2007, was approximately \$5,700,000.

Basically all School District employees are eligible to participate in the MPERS. A basic plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1-1/2 percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last three or five years of credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. Benefits are established by state statute.

Union City Community Schools

Notes to Financial Statements

8. Defined Benefit Pension Plan - Continued

Funding Policy - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension rate totals 17.74 percent for the period October 1, 2006 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were approximately \$991,000, \$909,000 and \$826,000, respectively.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for health, dental and vision coverages. Required contributions for post employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

9. Commitments and Contingencies

Grants - The School District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2007 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Union City Community Schools

Notes to Financial Statements

9. Commitments and Contingencies - Continued

Risk Management - The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The School District has purchased commercial insurance for health claims and participates in the Set/Seg (risk pool) for claims relating to workers' compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Unemployment - The School District is a reimbursing employer to the Michigan Employment Security Commission and as such is responsible to pay the Commission for those benefits paid and charged to its account. As of June 30, 2007, appropriate liabilities have been made for future payments that might result from claims in process or unfilled.

10. Subsequent Events

On August 20, 2007, the School District borrowed \$1,200,000 from the Michigan Municipal Bond Authority at 3.68% interest repayable with state aid receipts but no later than August 20, 2008.

11. Leases

The School District has office equipment that are leased under operating leases. Minimum payments under noncancellable operating leases are as follows:

Year ending June 30,

2008	\$42,532
2009	41,023
2010	9,696
2011	2,634

Rent expense for leased office equipment for the year ended June 30, 2007 was \$42,654.

Union City Community Schools

Notes to Financial Statements

- | | |
|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12. Deferred Compensation | The School District has a nonqualified deferred compensation plan to provide early retirement incentives. The total amount to be paid under the plan at June 30, 2007 is \$35,000 payable in fiscal 2008. The School District funds obligations to a trust when the obligation is due. |
| 13. Construction-in-Progress Elementary School Multi-purpose Room | The School District began construction on a multi-purpose room for the elementary school prior to year end. As of June 30, 2007, the School District has spent \$294,506 of the estimated \$1,174,000 construction costs and management anticipates the project to be completed in fiscal 2008. |

Required Supplemental Information

Union City Community Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$580,620	\$584,590	\$589,022	\$4,432
State sources	8,092,900	8,236,900	8,242,185	5,285
Federal sources	850,800	788,350	763,556	(24,794)
Other transactions	565,000	623,000	577,220	(45,780)
Total revenues	10,089,320	10,232,840	10,171,983	(60,857)
EXPENDITURES				
Current:				
Basic instruction	6,045,475	5,833,430	5,728,747	(104,683)
Support services	3,744,400	3,871,939	3,665,024	(206,915)
Community services	32,920	32,020	29,921	(2,099)
Capital outlay	13,100	389,700	372,108	(17,592)
Intergovernmental payments	22,500	25,500	726	(24,774)
Debt service	-0-	-0-	-0-	-0-
Total expenditures	9,858,395	10,152,589	9,796,526	(356,063)
Excess of Revenues Over Expenditures	230,925	80,251	375,457	295,206
Other Financing Sources (Uses)				
Bus note payable proceeds	-0-	113,000	112,994	(6)
Operating Transfers out	(210,000)	(220,000)	(220,000)	-0-
Total other sources of funds	(210,000)	(107,000)	(107,006)	(6)
Net Change in Fund Balance	20,925	(26,749)	268,451	295,200
Fund balance, beginning of year	1,542,024	1,542,024	1,542,024	-0-
Fund balance, end of year	\$1,562,949	\$1,515,275	\$1,810,475	\$295,200

Other Supplemental Information

Union City Community Schools

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds			1972 Debt	2006 Bond Debt	Building and Site Sinking Fund	Total
	Food Service	Athletics					
Assets							
Cash	\$4,762	\$18,649	\$-0-	\$-0-	\$1,185	\$5,306	\$29,902
Investments	47,076	22,712	-0-	-0-	-0-	-0-	69,788
Accounts receivable	967	220	-0-	-0-	-0-	-0-	1,187
Inventory	567	-0-	-0-	-0-	-0-	-0-	567
Due from other funds	84,755	-0-	-0-	-0-	-0-	66,999	151,754
Other current assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total assets	\$138,127	\$41,581	\$-0-	\$-0-	\$1,185	\$72,305	\$253,198
Liabilities and Fund Balances							
Accounts payable	\$4,692	\$1,004	\$-0-	\$-0-	\$-0-	\$-0-	\$5,696
Salaries payable	537	434	-0-	-0-	-0-	-0-	971
Accrued payroll withholdings and fringe benefits payable	156	112	-0-	-0-	-0-	-0-	268
Due to other funds	-0-	21,861	-0-	-0-	-0-	-0-	21,861
Total liabilities	5,385	23,411	-0-	-0-	-0-	-0-	28,796
Fund Balances							
Unrestricted	132,742	18,170	-0-	-0-	1,185	72,305	224,402
Total fund balances	132,742	18,170	-0-	-0-	1,185	72,305	224,402
Total liabilities and fund balances	\$138,127	\$41,581	\$-0-	\$-0-	\$1,185	\$72,305	\$253,198

Union City Community Schools

Other Supplemental Information Combining Statement of Revenue, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds		Debt Funds			Total
	Food Service	Athletics	2006 Bond Debt	Durant Debt	1972 Debt	
REVENUES						
Local sources	\$145,369	\$76,098	\$15	\$-0-	\$-0-	\$766,641
State sources	12,722	-0-	-0-	-0-	-0-	12,722
Federal sources	209,060	-0-	-0-	-0-	-0-	209,060
Total revenues	367,151	76,098	15	-0-	-0-	988,423
EXPENDITURES						
Current operations:						
Support service	347,037	282,382	-0-	-0-	-0-	632,526
Capital outlay	419	-0-	-0-	-0-	-0-	190,930
Debt service	-0-	-0-	474,790	-0-	-0-	474,790
Intergovernmental payments/other	176	-0-	-0-	-0-	-0-	176
Total expenditures	347,632	282,382	474,790	-0-	-0-	1,298,422
Excess (deficiency) of revenues over expenditures	19,519	(206,284)	(474,775)	-0-	-0-	(309,999)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-0-	220,000	475,960	-0-	-0-	695,960
Operating transfers out	-0-	-0-	-0-	-0-	(460)	(475,960)
Total other sources of funds	-0-	220,000	475,960	-0-	(460)	220,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	19,519	13,716	1,185	-0-	(460)	(89,999)
Fund balances, beginning of year	113,223	4,454	-0-	-0-	460	314,401
Fund balances, end of year	\$132,742	\$18,170	\$1,185	\$-0-	\$72,305	\$224,402

"Striving For Excellence In Everything We Do"



Union City Community Schools

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Phyllis Gillette

Business Manager

TO: Whom it May Concern

FROM: Union City Community Schools

DATE: October 31, 2007

SUBJECT: Management letter

This memo is notification that the management letter was not issued.